



COMMITTEE ON THE BUDGET

Majority Caucus
U.S. House of Representatives
Jim Nussle, *Chairman*

309 Cannon House Office Building
Washington, DC 20515 • (202) 226-7270
Rich Meade, *Chief of Staff* • www.budget.house.gov

TALKING POINTS

CONFERENCE REPORT ON THE FISCAL YEAR 2004 BUDGET RESOLUTION

SUMMARY

The Conference Report on the Fiscal Year 2004 Budget Resolution meets America's priorities by providing for our most urgent challenges, while continuing our commitment to a variety of long-standing priorities.

This Budget Conference Report adheres to the principles of the House-passed budget resolution. While differences between the House and Senate positions were resolved, our principle obligations remain clear; they are:

- ✓ **Protecting America**
- ✓ **Creating Jobs and Growing the Economy**
- ✓ **Fiscal Responsibility**

For more information on the
*Fiscal Year 2004 Budget
Resolution*, go to
www.budget.house.gov

Protecting America:

The budget supports the President's plans for winning the war against terrorism, and transforming the military to meet new and unconventional threats. The budget also accommodates the emergency supplemental spending bill that will finance the conflict in Iraq.

Strengthening the Economy and Creating Jobs:

The budget calls for a jobs and growth plan of \$550 billion (including outlays) with similar goals as the President's proposal; supporting broad, sustained economic growth and job creation, with consistent improvement in standards of living. The budget also provides for up to \$691 billion in additional tax policies.

Even more important than the total amount of tax relief in this plan (\$1.226 trillion over 11 years) will be its policies, which should encourage work, saving, investment, and productivity; should reach a broad spectrum of taxpayers; and should be permanent, so that families and businesses can plan their financial decisions with a degree of confidence.

Fiscal Responsibility:

With spending restraint, this plan reduces budget deficits every year, and returns to a balanced budget by 2012.

The discussion below summarizes how these priorities are addressed in this plan.

Protecting America

➤ *National Defense:*

The Conference Report is consistent with the President's requested level as part of a multiyear plan to enable the military both to fight the war against terrorism now, and to transform the Department of Defense [DOD] to counter unconventional threats in the future.

- ▶ This strategy is intended to transform the military so as to make it agile enough to combat elusive terrorist threats.
- ▶ At the same time, the Pentagon's transformation strategy must maintain a capability to deal with large conventional forces such as North Korea's.

The Conference Report also is consistent with DOD's desire to maintain pay, benefits, and quality of life programs so as to attract and retain highly capable and motivated personnel. Among specific provisions accommodated are the following:

- ▶ The administration's proposed \$98.6 billion for pay and benefits, an increase of 5.6%. This funds a range of military pay increases from 2% up to 6.5%, targeted by rank and years of service – to help retain DOD's most experienced personnel.
- ▶ An increase of \$3.4 billion for operations and maintenance, to a total of \$117 billion for FY '04.
- ▶ The highest procurement funding in 14 years: a sum of \$72.7 billion is supported by the Conference Report levels.
- ▶ The highest ever research and development level, \$61.8 billion.
- ▶ A 20% increase for missile defense, to \$9.1 billion. The program will focus on fielding an initial capability in 2004 and 2005; this would provide a modest defense against North Korean missiles.
- ▶ Full funding of military health care, assuming a total of \$27.2 billion.
- ▶ A 47% increase for Special Operations Forces, including Green Berets.

➤ ***Homeland Security:***

The Conference Report accommodates full funding of the President's request for homeland security. Specific amounts are subject to decisions of the authorizing and appropriating committees, but funding could include the following:

- ▶ Up to \$15.6 billion for Border and Transportation Security [BTS], the largest and most complex of the agencies in the new Department of Homeland Security [DHS].
- ▶ A sum of \$4.8 billion for the Transportation Security Administration [TSA], which will be part of the new Border and Transportation Security Agency in the DHS.
- ▶ A total of \$5.6 billion for the Coast Guard.
- ▶ A significant \$3.5 billion in funding for grants for "First Responders," such as local firefighting, and search-and-rescue or police forces.
- ▶ Full funding in a reserve fund for Project BioShield, in which the National Institutes of Health and the Food & Drug Administration would have new authority and increased flexibility to speed the arrival of medications and vaccines.
- ▶ A total of \$400 million for the Strategic National Stockpile, which contains drugs, vaccines, and other medical supplies and equipment that can be delivered to any place in the country within 12 hours of a request for assistance; and funding for the National Disaster Medical System, now part of DHS's National Incident Management System.
- ▶ Full funding for border inspection and other responsibilities transferred from USDA to the Department of Homeland Security. These include activities of the Animal and Plant Health Inspection Service [APHIS], and the Plum Island Animal Disease Center in New York.
- ▶ Full funding for the Bureau of Citizenship and Immigration Services.
- ▶ A 9% increase for the Secret Service, to \$1.3 billion.

Strengthening the Economy and Creating Jobs

As noted above, the policies of the economic growth plan are intended to do the following:

- ▶ Encourage work, saving, investment, and productivity.
- ▶ Reach a broad spectrum of taxpayers.
- ▶ Provide permanent tax relief, so that families and businesses can plan their financial decisions with a degree of confidence.

- ▶ With those objectives, this budget Conference Report provides for \$550 billion (including outlays) in growth-oriented tax provisions and accompanying outlays.
- ▶ The budget also allows for an additional \$691 billion in tax relief beyond the specific growth plan.

➤ ***Possible Growth Components***

Specific provisions of the growth plan will be determined by the Committee on Ways and Means and the Senate Committee on Finance. Nevertheless, the figures in the budget could accommodate the following provisions:

- ▶ Accelerated expansion of the 10% individual income tax bracket.
- ▶ Accelerated reduction of individual income tax rates.
- ▶ Accelerated marriage penalty relief.
- ▶ Accelerated increase of the child tax credit.
- ▶ Relief from the Alternative Minimum Tax.
- ▶ Small businesses investment incentives.
- ▶ Elimination of the double taxation of corporate earnings.

➤ ***Extension of 2001 Tax Cuts***

The additional tax relief allowed in the budget Conference Report would provide for permanent extension of provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 that otherwise will expire in 2010. These could include:

- ▶ Marginal individual income tax rate reductions.
- ▶ Expanded child tax credits.
- ▶ Marriage penalty relief.
- ▶ Education incentives.
- ▶ Repeal of estate and generation-skipping transfer taxes and modification of gift taxes.
- ▶ Modifications of individual retirement accounts and pension plans.
- ▶ The research and experimentation tax credit expiring in 2004.

➤ ***Additional Tax Relief***

Finally, the budget accommodates additional tax relief over the next 10 years.

The particular mix of tax policies this amount can entail will be determined by the Committees on Ways and Means and Finance, but could include:

- ▶ Incentives for charitable giving, health care, and energy production, conservation and reliability, as well as making the R&D tax credit permanent and temporarily extending currently expiring provisions.
- ▶ Tariff and other revenue effects of various trade initiatives.

➤ ***Other Components of Economic Security***

The budget also meets other critical obligations, including:

- ▶ Endorsing fundamental Medicare reform, including \$400 billion over 10 years for prescription drug coverage.
- ▶ Providing increases for key education initiatives, including Title I and Special Education.
- ▶ Providing the Federal share of funding for highways and mass transit.
- ▶ Protecting Social Security – which will be strengthened by a growing economy.
- ▶ Maintaining the welfare reform strategy that has reduced welfare rolls by 50%.
- ▶ Providing for reform of Medicaid, with greater flexibility so that States can cover more of their uninsured populations.
- ▶ Maintaining our commitment to veterans by providing a 10.7% increase in total funding to a level of \$63.8 billion.
- ▶ Continuing unemployment insurance, to provide a safety net for those having trouble finding work in these difficult times.

Fiscal Responsibility

Contending with the crises of the past 2 years has driven the Federal budget into deficit. This outcome is understandable and manageable at present – *but not for the long term*.

Therefore, this budget restrains spending growth to 4.3% a year over the next 10 years.

With even this modest degree of discipline, the budget will be balanced by 2012.

Conclusion

As noted at the outset, this budget has three priorities:

- ✓ Protecting America.
- ✓ Strengthening the Economy and Creating Jobs.
- ✓ Exercising Fiscal Responsibility.

It strikes a balance among all three priorities; and it recognizes the need to balance the urgent demands of the present against America's obligations to the future.

It is, in fact, a budget that fulfills America's promise – for today and tomorrow.